USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 8/6/2014
GAIN Report Number: E14040

EU-28

Stone Fruit Annual

2014

Post: Madrid

Approved By:
Cynthia Guven, Acting Minister Counselor, Brussels

Prepared By:
Carmen Valverde, Agricultural Specialist, Madrid

Report Highlights:
EU-28 production of peaches and nectarines in MY 2014/15 is estimated at almost 4 million MT, 10.6 percent higher compared to the previous harvest due to favorable weather conditions with considerable increases in the main European producers, Spain, Greece and France, while Italian production remains stable. Total cherry production in MY 2014/15 is projected at 676,300 MT, 3 percent lower compared with last season due to frosts and severe hailstorms during the harvest mainly in Italy and Poland with production declines of 22 and 15 percent, respectively. In MY 2013/14, imports of US peaches and nectarines and US cherries declined by 96 and 71 percent, respectively.

Disclaimer: This report presents the situation and outlook for stone fruit including peaches, nectarines and cherries in the EU-28. The report presents the views of the authors and does not reflect the official view of the U.S. Department of Agriculture (USDA). The data are not official USDA data.

This report was written with the contributions of the following Foreign Agricultural Service analysts

Xavier Audran FAS/Paris covering France
Ornella Bettini FAS/Rome covering Italy and Greece
Mila Boshnakova FAS/Sofia covering Bulgaria
Mira Kobuszynska FAS/Warsaw covering Poland
Sabine Lieberz FAS/ Berlin covering Germany
Ferenc Nemes FAS/Budapest covering Hungary
Carmen Valverde FAS/Madrid covering Spain and Portugal
Tania de Belder FAS/USEU Brussels covering the EU policy section

Abbreviations and definitions used in this report

GTA Global Trade Atlas
Ha hectare; 1 ha = 2.471 acres
HS Codes Harmonized System codes for commodity classification used to calculate trade data.
Peaches and nectarines HS Code 080930
Cherries HS Code 080920
MT Metric ton = 1,000 kg
MMT Million metric tons
MS EU member state(s)
MY Marketing year: January/December
EU-28: including Croatia

Note: The European Union Member States (MS) are mandated to annually provide the EU Commission with data concerning the "production area" of permanent crops. This means "the area that can potentially be harvested in the reference harvest year. It excludes all non-producing areas, such as new plantations that have not yet started to produce" (Regulation (EC) No 543/2009 of the European Parliament and of the Council of 18 June 2009, Article 2 (f)). In this report this corresponds to the line "Planted Area". Some MS also publish harvested data, but not all of them, and as such in this report the line "Area Harvested" is an FAS Post estimate.

Executive Summary

The main EU-28 producers of **fresh peaches and nectarines** are Italy, Spain, Greece and France. The production area of peaches and nectarines in the EU stabilized in MY 2013/14 at around 222,353 ha after continuously falling in the previous years and, according to FAS post projections, the production area is projected to remain stable in MY 2014/15 with 222,080 ha planted. This is the result of productivity and competition between different Member States (MS) where Spain is gaining ground. Total production of peaches and nectarines in MY 2014/15 for the EU-28 is estimated at 3.96 million MT, 10.6 percent higher compared to almost 3.6 million MT registered in the previous campaign MY 2013/14, due to favorable weather conditions with considerable growths in the main European producing countries of Spain, Greece and France with 13, 30 and 11 percent increase respectively, while Italian production remains stable. Fresh consumption of peaches and nectarines is projected to increase almost 4 percent, reaching 2.87 MMT.

The EU is a net exporter of peaches, with exports largely exceeding imports. The EU's exports of peaches and nectarines were valued at 431 million USD in MY 2013/14, a 2 percent decrease and 16 percent lower volume from the previous year. The main destinations for EU-28 peaches continue to be Russia but with a 16 percent decrease from MY 2012/13. Ukraine, as the former second destination, decreased its European stone fruit imports by 50 percent in MY 2013/14.

The main supplier of peaches to the EU is Chile, with increasing competition from South Africa. The EU's imports of peaches and nectarines were valued at 88 million USD in MY 2013/14, a 13 percent increase from the previous year with stable volumes. An important reduction of 96 percent of fresh peaches and nectarines from the United States occurred in MY 2013/14. Imports may decrease in MY 2014/15 due to higher production forecasts.

The main EU-28 producers of **fresh cherries** are Poland, Italy, and Spain. Traditionally Germany had been in forth position; however, production in Greece and Hungary has surpassed German cherry production during the last 3 years. Italy is the largest consumer of fresh cherries while Poland processes 75 percent of its cherry production. According to FAS projections, the updated data of total EU planted area of cherries gives an area of 162,000 ha that is expected to remain stable in MY 2014/15.

Total production in MY 2014/15 is projected at 676,300 MT, thus 3 percent lower compared with last season due to frosts and severe hailstorms during the harvest mainly in Italy and Poland with production declines of 22 and 15 percent, respectively. Consumption of fresh cherries in the EU is estimated at close to 433,000 MT in MY 2014/15, slightly higher than the previous year.

The EU is a net importer of cherries but with trade values almost balanced. Cherries are sourced mostly from Turkey, the world's leading cherry producer. While the main destinations for the major EU producers are other MS, the most important external destinations are Russia, Switzerland and Belarus. The EU imports of fresh cherries were valued at 180 million USD in MY 2013/14, a 13.75 percent decrease from the previous year with a total volume of almost 50,000 MT or 5 percent higher than

previous year. According to the Global Trade Atlas (GTA), the EU-28 imported 1,420 MT of cherries from the United States in MY 2013/14 which means a decline of 71.5 percent.

The EU exports of fresh cherries in MY 2013/14 were valued at 89.7 million USD, 24 percent increase from the previous year. The main destinations for EU-28 cherries in MY 2012/13 were Russia, Switzerland and Belarus. New markets such as Algeria, Serbia and Hong Kong are showing spectacular growths surpassing Ukraine.

Commodities

Fresh Peaches & Nectarines

The main EU-28 producers of peaches and nectarines are Italy, Spain, Greece and France, in this order. There is also limited production in other EU MS, including Hungary, Portugal and Bulgaria. Italy is the EU's largest producer and consumer, but Spain is the biggest exporter due to its early season harvest. Greece is the leading EU peach processor.

Crop Area

The production area of peaches and nectarines in the EU had stabilized in MY 2013/14 at around 222,353 ha after continuously falling in previous years and according to FAS post projections the production area is projected to remain stable in MY 2014/15 with 222,080 ha planted. This is the result of competition between different MS where Spain is gaining ground. It is also the result of productivity gains achieved with the introduction of new and higher yielding varieties that bring more diversity in the types of fruit and spread in harvest dates.

On the other hand, due to its competitiveness, **Spain** is gaining market share at the expense of other main producers as shown by Spain's increase in planted area. In Spain, the production area is moving southwards to take advantage of an extra-early harvest which is possible with a number of low-chilling varieties. The growing of peach and nectarine trees is concentrated in the regions of Cataluña, Aragón and Murcia, along the Mediterranean arch. Extremadura is another important growing region, mainly for nectarines. Spanish crop area is around 83,000 ha.

In **Italy**, experts forecast a continuation in the downward trend in peach and nectarine acreage, which has fallen 20 percent from 2000 to 2010, but also expect that the phasing out of old cultivars and the phasing in of better performing ones in new plantations will result in volumes declining at slower rate than acreage. Italian crop area is around 68,500 ha. Stone fruit production plays a key role in the agricultural sector of several Italian regions, both in the North (especially in Emilia-Romagna and Piedmont) and in the South (Campania). The bulk of the Italian harvest occurs in June and July.

In **Greece**, farms are typically four to five hectares, much smaller than the average size in either the EU or the United States. According to industry estimates, there are approximately 44,100 hectares currently

cultivated for peaches and nectarines in Greece. The main producing areas are in the six territories (Imathia, Pella, Pieria, Kozani, Larissa, and Kilkis) of Central Macedonia and Thessaly, located in northern Greece. The peach production area is located in an active hail belt that stretches from the Iberian Peninsula to northern Greece. Most of the crop is harvested in June and July.

In **France,** peaches and nectarines orchards continued to shrink due to poor economic conditions combined with losses of trees due to the Sharka disease.

In **Hungary**, the culling of old/outdated orchards with no replacements planted decreased the production area during the last couple of years to 4,400 ha.

Production

Production of peaches and nectarines in MY 2014/15 for the EU-28 is estimated at almost 4 million MT, 10.6 percent higher compared to the previous campaign MY 2013/14. Production in the main producing countries is shown in Table 1 below.

Table 1. Major EU Fresh Peach & Nectarine Producers by Volume in MT

Country	MY 2012/13	MY 2013/14	MY 2014/15
Italy	1,623,900	1,483,578	1,505,097
Spain	1,171,858	1,209,700	1,367,000
Greece	680,210	577,000	750,000
France	275,309	233,752	260,200

Source: FAS Europe offices

Italy

Italy is the largest peach and nectarine producer in the European Union (EU-28) and ranks second in the world after China. Italy's MY2014/15 peach and nectarine production is preliminarily forecast to stay flat. Peach production is preliminarily forecast at 606,542 MT (605,908 MT in MY2013/14), while nectarine production is preliminarily forecast at 821,128 MT (798,572 MT MY2013/14). The cling peach harvest is likely to stay flat at 77,427 MT (79,098 MT in MY2013/14). Fruit quality is forecast to be good.

Spain

Spain is the second largest peach and nectarine producer in EU-28 and fourth in the world after the United States. According to the latest official estimations, peach and nectarine production in Spain for MY 2014/15 is projected to reach 1.3 MMT, thus 13 percent higher than the previous year. A growth in the country's most important regions, Aragón, Cataluña and Murcia, together with the important increases in Extremadura, Andalusia and Region of Valencia, are the main factor for the higher overall Spanish production of peaches and nectarines. There has been an increase of early and mid-season

peaches, mainly due to good flowering and fruit set, as well as the entry into production of new varieties. Spanish stone fruit has an important advantage in terms of quality due to the vast varietal renewal that has taken place in recent years. Newer varieties with more intense flavors and color have been planted.

Greece

Greece is the third largest producer of peaches in the EU-28, after Italy and Spain. Greece's MY 2014/15 peach and nectarine production is forecast to surge by 30 percent−after last year's production drop− thanks to favorable weather conditions. Production of fresh peaches is forecast to rise 37.7 percent (650,000 MT compared to 472,000 MT in 2013), while nectarines production is forecast to decrease slightly by 4.7 percent (100,000 MT compared to 105,000 MT in 2013). Greece's MY2014/15 cling peach crop is forecast to go back to MY2012/13 volumes (440,000 MT), thanks to favorable weather conditions.

France

France's peaches and nectarines crop is expected to be up 11 percent from 2013 and 10 percent from the 5 years average due to lower production area despite good weather condition throughout the late spring season. The crop is also expected to be one to two weeks early.

Hungary

Peaches and nectarines are the third largest fruit crop in Hungary after apples, and cherries. Estimated total production of peaches for MY 2014/15 is expected to return to regular harvest levels and reach 40,000 MT.. Yields of farms producing peaches are modest (5-6 MT/hectare) by European comparison. The number of trees per hectare (350-500) is low, the average age of orchards is 15-24 years, and only one seventh of the area is irrigated.

Bulgaria

The expectations for the 2014 crop for peaches are relatively good. The rainy and cool spring caused some problems with pollination in select orchards, mainly with earlier varieties. For this reason, the harvested area, average yields and production may decline slightly compared to 2013 but still remain high at 35,000 MT or above, as per the current forecast.

Portugal

In Portugal, the peach and nectarine orchards are mostly located in the inland center region. Due to good weather conditions this year a 23 percent increase in the country's production is projected in MY 2014/15 to 30,000 MT.

Poland

Production of peaches in Portugal is estimated at 8.9 MMT in 2014, or 15 percent lower than the last year. Planted area increased in comparison with 2013 due to the new plantings after the 2012/13 winter frost damage. An early spring, even one month ahead to the average, destroyed peach trees vegetation because of high day and night temperature vulnerability. Relatively low temperatures diminished bees' activity. Due to these unfavorable weather conditions the yields of peaches and other stone fruits are expected to drop despite an increase in the acreage.

Consumption

In MY 2014/15 fresh consumption of peaches and nectarines is projected to increase almost 4 percent, reaching 2.87 MMT. Peaches and nectarines for processing may return to normal levels after the low level reached in the previous campaign due to the decrease in production.

Most Italian and Spanish peaches and nectarines are consumed fresh. Consumers in southern countries generally prefer large, sweet, and pulpy fruits, while the North European markets prefer smaller, slightly sour, and crunchy fruits. Apart from the difficult economic situation and the industry's concern for the increasing complexity of the destination markets, the overall goal is to encourage consumption for a product that is the main summer fruit. Greek nectarine production is destined mainly for the fresh market; freestone peaches are used for fresh consumption, and clingstone peaches are predominantly used in processing. In France, consumption is expected to remain strong due to good weather conditions throughout the late spring and summer. Since peaches ripen in neighboring countries south of Hungary 7-12 days earlier the domestic production serves fresh consumption in the main season and the volume of peaches for processing is limited.

Trade

The EU is a net exporter of peaches – with exports largely exceeding imports.

Imports

As seen in Table 2 below, the main supplier of peaches to the EU is Chile, with increasing competition from South Africa. More than half of total imports are sourced in the southern hemisphere and are imported during the European off-season. The EU's imports of peaches and nectarines were valued at 88 million USD in MY 2013/14, a 13 percent increase from the previous year with stable volumes. According to the GTA there was a significant reduction of 96 percent of fresh peaches and nectarines from the United States in MY 2013/14. Due to higher production forecasts in MY 2014/15 imports may decrease.

Table 2. EU-28 Imports of Fresh Peaches & Nectarines by Origin in MT

Country of Origin	MY 2011/12	MY 2012/13	MY 2013/14
Chile	14,465	13,470	10,856
South Africa	6,086	5,917	7,617
Morocco	3,028	4,503	4,940
Turkey	1,376	1,831	2,483
Macedonia	925	1,317	1,514
Tunisia	1,147	910	816
Others	4,309	4,143	3,738
Total Imports	**31,336**	**32,091**	**31,964**

Source: GTA

Exports

The EU's exports of peaches and nectarines were valued at 431 million USD in MY 2013/14, a 2 percent decrease and 16 percent lower volume from the previous year. The main destination for EU-28 peaches continues to be Russia but with a 16 percent decrease from MY 2012/13. Ukraine, as the former second destination, decreased its European stone fruit imports by 50 percent in MY 2013/14 (Table 3). The EU's major producers compete for sales within the European market. Thanks to an earlier harvesting period with good quality products, Spain dominates the European market. Spanish total exports in 2013 were 758,486 MT, meaning that 60 percent of its peach and nectarine production goes mainly to the EU 28. The main destinations are Germany (159,519 MT) and France (122,807 MT). Italy is the major peach and nectarine producer and consumer within the EU 28, exporting mainly within the EU-28. In 2013, Italy exported 370,427 MT of peaches and nectarines, with Germany (149,315 MT) continuing to be the main destination.

Table 3. EU-28 Exports of Fresh Peaches & Nectarines by Destination in MT

Country of Destination	MY 2011/12	MY 2012/13	MY 2013/14
Russia	189,786	197,153	164,946
Switzerland	27,461	30,0042	29,851
Ukraine	37,036	58,929	29,494
Belarus	6,244	17,172	28,489
Brazil	10,012	10,859	10,440
Norway	10,402	10,913	10,186
Others	28,213	41,122	34,233
Total Exports	**309,154**	**366,190**	**307,639**

Source: GTA

Production, Supply and Demand Data

Table 4. Production, Supply and Demand Data Statistics

Fresh Peaches & Nectarines EU-28	2012		2013		2014	
	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
		Data		Data		Data
Area Planted	220,505	222,430	224,400	222,353		222,080
Area Harvested	198,454	204,436	203,600	205,446		205,175
Bearing Trees	0	0	0	0		0
Non-Bearing Trees	0	0	0	0		0
Total Trees	0	0	0	0		0
Commercial Production	4,218,000	3,793,733	3,933,270	3,577,102		3,957,225
Non-Comm. Production	43,000	38,321	39,730	36,132	0	39,972
Production	4,261,000	3,832,054	3,973,000	3,613,234		3,997,197
Imports	30,000	32,091	45,000	31,971		30,000
Total Supply	4,291,000	3,864,145	4,018,000	3,645,205		4,027,197
Fresh Dom. Consump.	3,227,800	2,703,912	3,060,600	2,760,858		2,867,770
Exports	325,000	366,190	390,000	307,666		350,000
For Processing	720,200	774,043	547,400	556,681		789,427
Withdrawal From Market	18,000	20,000	20,000	20,000		20,000
Total Distribution	4,291,000	3,864,145	4,018,000	3,645,205	0	4,027,197

HA, 1,000 TREES, MT

Source: FAS Europe offices

Commodities

Fresh Cherries (Sweet & Sour)

The main EU-28 producers of fresh cherries are Poland, Italy, and Spain. Traditionally Germany was in forth position, but in the last 3 years, Greece and Hungary have surpassed German cherry production (See Table 5). Poland is the EU's largest producer and cherry processor transforming 75 percent of its cherry production. Spain is the biggest exporter due to its early season harvest. Italy is the number one consumer of fresh cherries.

Crop Area

According to FAS projections, the updated data of total EU planted area of cherries estimates an area of 162,000 ha that may remain stay stable in MY 2014/15.

Production

Total production of cherries in MY 2014/15 is projected at 676,300 MT, thus 3 percent lower compared with last season due to frosts and severe hailstorms during the harvest mainly in Italy and Poland with production declines of 22 and 15 percent, respectively.

Table 5. Major EU Fresh Cherries (Sweet & Sour) Producers by Volume in MT

Country	MY 2012/13	MY 2013/14	MY 2014/15
Poland	216,500	235,800	200,000
Italy	103,584	135,302	105,000
Spain	96,946	92,100	95,700
Greece	51,310	60,000	60,000
Hungary	53,425	44,000	59,000
Germany	35,946	37,523	51,900

Source: FAS Europe offices

Poland

In the EU, Poland is the leader in cherry production, with a one-third share of the total EU cherry production. Cherries are the main stone fruits cultivated in Poland.
In MY 2014/15, total stone fruit production in Poland will diminish as compared to last season. Production of cherries (tart and sweet) is forecast at 200,000 MT, or 15 percent lower the previous season.

Winter 2013/14 was very mild in Poland. There were no winter losses in the number of cherry trees. The area planted and harvested remained constant. Cherry plantations came into the new 2014 season in a very good shape. The vegetation period started one month ahead of the average time in previous years. Early spring accelerated flowering, but night frosts damaged some part of the new flower buds. In late spring heavy rains and too much moisture caused trees diseases on some sweet cherry plantations. Due to the unfavorable weather conditions, the quality of fruits, especially dessert ones, will be lower and the yields will diminish in comparison with last year.

Italy

Italy's MY2014/15 cherries production is preliminarily forecast at 105,000 MT. Southern Italy, which accounts for two thirds of the national cherry production, has registered a production drop of 50 percent, because of severe hailstorms during the harvest. On the contrary, Northern Italy's cherry crop has benefitted from the early start of the campaign that is still in progress

Turi (Apulia), Vignola (Emilia-Romagna), Verona (Veneto), and Cuneo (Piedmont) are the main cherry producing areas.

Spain

According to the Ministry of Agriculture, Food and Environment (MAGRAMA) Spanish cherry production for MY 2014/15 is projected at 95,7000 MT, 4 percent above the previous year's level. The main cherry producing areas are Extremadura, accounting for over 35 percent of Spain's total, and Aragon, responsible for over 20 percent of Spain's production. Last year the weather was colder in Spain but this year, due to better weather conditions, the cherry taste is stronger and sugar taste levels are higher, producing a high quality product.

In Spain, cherry harvesting takes place from the end of April through mid-August. The dominant varieties are: *Napoleon*, which is sold fresh and used for jams; *Ambrunesa*, which is a late variety with a crispy consistency and sweet taste; and, *Burlat*, an early harvested variety bearing a thick fruit with red, strong, juicy and sweet pulp. Some new varieties include *Starking*, *Lapins*, *Summit*, *Vittoria*, *Van* (California), *Picota* and *Sandy*. The sour varieties include *Richmond*, *Montmorency*, and *Morello*.

Greece

Greece's MY 2014/15 cherry season is forecast to stay flat. Total production is projected at 60,000 MT. Pella and Imathia are the main producing areas.

Hungary

Cherries are the second largest fruit crop in Hungary after apples. Total area of cherries was 14,400 hectare in 2013 and the crop was 44,000 MT. Preliminary data for 2014 are 14,400 hectare and 59,000 MT crop. Less than ten percent of the crop is sweet cherry while the majority is sour cherry. In the last fifteen years commercial production of sweet cherries decreased about 50 percent and sour cherry production has been stable. The main production area of tart cherries is northeast Hungary. This region is frequently hit by early May frosts but this season due to better weather conditions it was good for pollination. This is why crop prospects are high and prices are set low this year. Producer prices of tart cherries at the Budapest Large-scale Produce Market were HUF 400/kg [€ 1.31/kg] during the 24th week of 2014, 15.8 percent lower than the price of the same period in 2013. The government of Hungary budget includes 800 million HUF (€ 2.6 million) of support to processors and Farm Sales Organizations to remove the surplus tart cherries from the depressed domestic market.

Traditional Hungarian tart cherry varieties tend to ripen during the peak season of some competing regions in Germany and Poland. A shift towards earlier varieties would be urgent for preserving Hungary's position on EU markets, but investments are bearish in the fruit sector these years. A special

aspect of the fluctuation of the cherry crop is the regulation of the status of seasonal laborers. Complicated social security and tax laws make it difficult to employ seasonal laborers from one week to the other. This is one of the reasons why orchards may be left unharvested in seasons when prices are depressed.

Germany

German total cherry production for MY 2014/15 is estimated at 51,900 MT of which sweet cherries comprise 36,300 MT and tart/sour cherries 15,600 MT. This is a 38 percent increase compared to the below average production in MY 2013/14. The favorable weather conditions (mild and dry conditions during flowering) are the main factor behind the rebound in production.

While the German sweet cherry planted area remained stagnant at 5,200 ha in 2013, the area for tart cherries was further reduced to 2,212 ha. However, the decline in tart cherry area was not as severe as in the previous years. The decline in area is a result of strong competition from other EU MS. According to German industry sources, other MS such as Hungary and Poland have lower production costs and are more competitive than German producers.

France

After an average crop in MY 2013/14, France's cherries crop in MY 2014/15 is 32 percent higher than the previous year, almost to a record level (21 percent above the five years average). The crop benefited from excellent growing conditions, a mild winter, and no late frost leading to early blossoming. Area planted to cherry trees continued to decline as old orchards are not systematically renewed. Producers blame the lack of new disease resistant varieties as well as the high production costs driven by high French labor costs for this decline.
In the main producing regions (southern half of France), mild weather conditions throughout the winter and spring led to moderate to acute pest and fungal infestation, especially *Drosophila Suzuki* and *Moniliosis* in several production areas.

Bulgaria

According to the Research Horticulture Institute, about 1,500 HA or about 20 percent of cherry orchards are young orchards. About 50 percent of all cherry orchards are planted with late varieties, and the other half with early and medium maturity varieties. The general prospects for the MY2014/15 season show cherry production to be 6 percent lower than in the previous year at 42,000 MT. Overall, bad weather conditions and more diseases this year led to higher production costs due to more intense plant protection care. Quality issues such as cracks of fruits lowered the farm-gate prices and will likely increase the volume of cherries for processing.

Traditionally, local processors dominated by the Italian investors were the most active on the market.

Portugal

In Portugal, the projections point to stable production compared with last year reaching close to 10,600 MT in MY 2014/15.

Consumption

Consumption of fresh cherries in the EU is estimated at close to 430,000 MT in MY 2014/15, slightly higher than the previous year. Italy is the biggest consumer of fresh cherries while Poland processes 75 percent of its cherry production. Due to overall good weather conditions, cherries for processing may diminish 6 percent in MY 2014/15. The better the weather conditions the lower the percentage used for processing, while bad weather conditions increase the percentage that goes into canning and distillation into spirits.

Sweet cherry is a seasonal fruit consumed as fresh and unprocessed. Sour cherry is utilized principally by the processing industry. The main sour cherry products are frozen fruits, juice concentrates and jams or marmalade. Over 50 percent of industrial sour cherry consumption in Poland is frozen with almost 80 percent of frozen cherry directed to the foreign markets. In countries such as Spain, Portugal, France, Italy and Greece, domestic consumption is almost exclusively for fresh use, with minor amounts bought by the brining and processing industry. In Germany, cherries are considered a seasonal product and stocked in supermarkets mainly during the German marketing season (July/August). This explains the lower per capita consumption of cherries (2 kg). The use of tart cherries for processing is relatively stable and roughly amounts to 75-90% of the German domestic production. The majority of tart cherries are used for canning (over 80 %), while the remainder finds its way into juice production. The percentage of sweet cherries used for processing fluctuates between 20 and 50 percent depending on the weather during harvest.

In Hungary, average per capita fruit consumption is under the EU-28 average. The majority of cherries harvested are destined for fresh exports and the processing industry.

Trade

The EU is a net importer of cherries but with trade values almost balanced. These are sourced mostly from Turkey, the world's leading cherry producer (Table 6). While the main destinations for the major EU producers are other MS, the most important external destinations are Russia, Switzerland and Belarus.

Imports

The EU imports of fresh cherries were valued at 180 million USD in MY 2013/14, a 13.75 percent decrease from the previous year with a total volume of almost 50,000 MT or 5 percent higher than previous year. According to GTA, the EU-28 imported 1,420 MT of cherries from the United States in MY 2013/14, a decline of 71.5 percent for the second year in a row. These were valued at 10 million US Dollars, 59 percent below MY 2012/13.

France has a large trade deficit in cherries, the bulk of imports coming from EU-28 countries (mainly Spain). The United States is the third largest supplier of cherries to France, after Turkey and Chile. France imports U.S. Cherries in July, August and September when the domestic/EU supply weakens. Those cherries are imported fresh by air cargo and are often purchased by restaurants.

German imports vary between 45,000 and 70,000 MT of cherries annually; the majority originates from other EU MS, mainly Austria, Italy and Spain for sweet cherries and Hungary, Poland, and the Czech Republic for tart cherries. Largest non-EU suppliers are Turkey for sweet cherries and Serbia for tart cherries. For MY 2014/15, imports are expected to decline partly due to the good domestic harvest. In addition, the industry reportedly holds large stocks of processed cherry products which will likely result in a reduction of processing and in turn a reduction of tart cherry imports.

In MY 2013/14 Italy imported 9,115 MT of cherries, mainly from Spain (3,716 MT), Turkey (2,840 MT), and Germany (1,010 MT), while Spain imported only 995 MT, thus 42 percent lower than previous year, mainly from Chile and Argentina.

Table 6. EU-28 Imports of Fresh Cherries (Sweet & Sour) by Origin in MT

Country of Origin	MY 2011/12	MY 2012/13	MY 2013/14
Turkey	22,696	28,948	26,888
Serbia	5,472	5,368	15,510
Chile	5,750	4,998	3,088
United States	3,371	4,984	1,420
Macedonia	48	541	746
Argentina	903	834	522
Canada	1,286	1,190	466
Others	341	436	1,064
Total Imports	**39,867**	**47,299**	**49,704**

Source: GTA

Exports

The EU exports of fresh cherries in MY 2013/14 were valued at 89.7 million USD, 24 percent increase from the previous year with 42 percent higher volume. The main destinations for EU-28 cherries in MY 2012/13 were Russia, Switzerland and Belarus. New markets such as Algeria, Serbia and Hong Kong are showing spectacular growths surpassing Ukraine. Ukraine was traditionally the fifth destination of

European cherries. In MY 2013/14, cherry exports to Ukraine decreased 70.5 percent compared to last year.

Polish exports of fresh cherries vary widely year to year. Poland's MY 2014/15 export of fresh dessert cherries is estimated to be lower than last year. Lower crops, worse quality of fruits and this year's stronger competition from markets like Turkey, Serbia and Hungary will diminish the Polish cherry export volume. In MY 2013/14, fresh sweet and sour cherries fruit exports amounted to 21,000 MT, valued at 29 million USD. Russia was the main importer of Polish fresh sweet cherries, capturing over 70 percent share in volume, followed by Belarus (14 percent). Germany is the main export destination for sour cherries, capturing 45 percent of Poland's sour cherries external sales.

Italy and Spain are mainly focused in the intra EU market. In MY 2013/14, Italy exported 10,114 MT of cherries, mainly to Germany, while Spain exported 26,451 MT mainly to United Kingdom, Italy and France. Spain increased cherry exports to new markets such as Algeria and Hong Kong.

Germany exports less than 10 percent of its total cherry supply: 5,000 to 9,000 MT in recent years. Main destinations are other EU MS such as Austria, Belgium, France, and the United Kingdom. The largest destination outside of the EU is Switzerland.

Hungary is a major exporter of sour cherries in Europe. The biggest export markets for fresh cherries are Russia and Germany. Hungary's share of Germany's cherry imports is about 25 percent. Frozen tart cherries are exported mainly to Germany. Exports of dried tart cherries are growing.

Table 7. EU-28 Exports of Fresh Cherries (Sweet & Sour) by Destination in MT

Country of Destination	MY 2011/12	MY 2012/13	MY 2013/14
Russia	22,847	21,867	30,859
Belarus	603	1,517	4,160
Switzerland	2,927	2,832	3,411
Moldova	1,154	1,465	1,501
Others	2,648	2,669	3,224
Total Exports	**30,179**	**30,349**	**43,155**

Source: GTA

Production, Supply and Demand Data

Table 8. Production, Supply and Demand Data Statistics:

Fresh Cherries,(Sweet&Sour) EU-28	2012	2013	2014
	2012/2013	2013/2014	2014/2015
	Market Year Begin: Jan 2012	Market Year Begin: Jan 2013	Market Year Begin: Jan 2014

	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
		Data		Data		Data
Area Planted	177,370	157,491	178,500	162,489		161,822
Area Harvested	168,501	154,076	169,300	159,096		158,487
Bearing Trees	0	0	0	0		0
Non-Bearing Trees	0	0	0	0		0
Total Trees	0	0	0	0		0
Commercial Production	744,000	590,984	744,917	664,284		642,485
Non-Comm. Production	39,000	31,104	39,206	34,962		33,815
Production	783,000	622,088	784,123	699,246	0	676,300
Imports	40,000	47,300	49,719	49,719		47,000
Total Supply	823,000	669,388	833,842	748,965		723,300
Fresh Dom. Consump.	499,000	376,743	559,511	429,171		433,668
Exports	30,000	30,349	43,155	43,155		30,000
For Processing	294,000	262,296	231,176	276,639		259,632
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	823,000	669,388	833,842	748,965		723,300

HA, 1,000 TREES, MT

Source: FAS Europe offices

Policy

Stone fruit falls under the EU fruit and vegetables regime and is part of the Common Agriculture Policy (CAP), which was reformed last year. The following section explains the main elements of the EU fruit and vegetables policy that refer to the stone fruit sector, including any policy changes due to the reform.

1. New Common Agriculture Policy (CAP) Reform

The Regulation(EU) No 1308/2013 of the European Parliament and of the Council, or the new Single Common Market Organization (CMO), was published in the Official Journal on December 17, 2013, and went into force on January 1, 2014. It repeals the previous single CMO, or Council Regulation 1234/2007, although transitional measures are still in place (laid down by Regulation 1310/2013).

The implementing rules for the fresh and processed fruit and vegetables sectors (Commission implementing Regulation (EU) No 543/2011) are amended by Commission Delegated Regulation (EU) No 499/2014, which entered into force on May 16, 2014.

The fruit and vegetable market management scheme aims to:

a) Create a more competitive and market-oriented sector

Producer Organizations (POs) are still the key elements in the EU's CMO for fruit and vegetables. POs are legal entities established by producers to market commodities, including stone fruit. EU subsidies are not paid to individual producers but are channeled through POs. In order to qualify for EU subsidies, a PO must submit an operational program financed through an operational fund. The EU's financial contribution is paid directly into the POs operational fund. The calculation of the estimated

amount of the operational fund is based on the operational program and the value of the marketed production. As a general rule, the EU financial assistance is limited to 50 percent of the total operational fund, but in specific cases it may be raised to 60 percent. The remainder of the funding is financed by the PO. Operational programs are approved under the new regulation as of January 20, 2014. Commission Delegated Regulation 499/2014 introduced new elements regarding the operational programs. It clarifies the criteria that POs have to comply with in order to be eligible for EU funding and introduces a sanction mechanism in case of non-compliance.

Fresh fruit and vegetable imports into the EU are checked for compliance with EU-harmonized marketing standards. These standards apply at all marketing stages and include criteria such as quality, size, labeling, packaging, and presentation. Commission implementing Regulation (EU) No 543/2011 provides for a general marketing standard for all fresh fruits and vegetables. Specific marketing standards are still in place for ten products, including peaches and nectarines, and are set out in Part B of Annex I on page 86 (section 5).

b) Diminish crisis-related fluctuations in producers' income

To achieve this objective, EU funding is offered under the following operational programs:

- Product withdrawal (withdrawing products from the market and not putting them up for sale);
- Green harvesting (totally harvesting non-marketable (but not damaged) products before the normal harvest)/non-harvesting (not taking any commercial production from the cultivated area during the normal production cycle);
- Promotion/communication tools;
- Training;
- Harvest insurance (EU funding is available for harvest insurance managed by a PO to help safeguard members' incomes and cover market losses caused by natural disasters, climatic events, diseases or pest infestations);
- Assistance to secure bank loans, and support for administrative costs associated with setting up mutual funds.

EU Stonefruit crisis - In July 2014, producer representatives, especially from Italy and Spain, requested the urgent implementation of Article 219 from Regulation (EU) 1308/2013, on measures to address serious market disturbances. According to this article, the European Commission has the power to adopt delegated acts that make it possible to take necessary and immediate action to address situations that cause or prevent market disturbances. The current campaign is characterized by extremely low prices and the current crisis management measures under the framework of the PO's operational programs are insufficient. Greece, the EU's fourth largest stonefruit producer, also joined the request by Italy and Spain..

This crisis has lead to tensions between the major EU producing countries, such as Spain and France. French farmers blocked the entry of Spanish trucks carrying fruit and vegetables, emptying its contents near the border with Perpignan, to protest against low-priced imports of fruit. They accused the Spanish growers of unfair competition by paying lower wages in Spain and bringing down prices across Europe. However, one of problem is the fact that producers can not set their minimum producer prices, which are determined by the major distribution chains and are often French.

c) Encourage increased consumption of fruit and vegetables in the EU

A key objective of the changes made to the Fruit and Vegetable regime was to reverse the declining consumption of fruit and vegetables. The European School Fruit Scheme (SFS) was used as a measure to combat child obesity, including three elements: free distribution of fruit and vegetables in schools, information campaigns on healthy eating habits, and monitoring and evaluation. The EU funds, to be matched by national and private funds, for the 2014/15 School Fruit Scheme has increased from €90 million to €150 million, which was agreed in the context of the CAP 2020 reform. In addition to financing the distribution of fruits and vegetables in school, the funds will also be used for accompanying educational measures for the first time. The main beneficiaries of the Scheme in 2014/2015 will be Italy (€ 29.2 million), followed by Germany (€ 22.8 million), Poland (€ 20.5 million), France (€ 15 million), Spain (€ 10.7 million), Romania (€ 6.8 million), the Czech Republic (€ 5.4 million), Netherlands (€ 5.4 million), Hungary (€ 5.4 million) and Bulgaria (€ 3.6 million). This will be the sixth year of the program.

On January 30, 2014, the Commission presented a proposal to bring the SFS and the School Milk Scheme together under a joint framework in order to improve their effectiveness and efficiency, streamline administrative requirements and reduce organisational burden. Participation in the new scheme will be voluntary for Member States, which will also have flexibility to choose the products they wish to distribute. The reformed school scheme is expected to take effect in 2016. For more information:
http://ec.europa.eu/agriculture/school-scheme/legislative-proposal/index_en.htm

d) Increase the use of environmentally friendly cultivation and production techniques

At least 10 percent of operational program funding must be spent on environmental actions that go beyond mandatory environmental standards. More specifically, the environmental actions must go beyond:

- Cross-compliance requirements;
- Minimum national legal requirements for fertilizer and plant protection product use;
- Other relevant national legal requirements.

Member States with recognized POs must draw up a National Framework for Environmental Actions (NEF) as part of their "national strategy for sustainable operational program". The NEF must contain a non-exhaustive list of environmental actions and the conditions applicable to them in the Member State concerned.

2. Certification of Fruit Shipments

Plant products need a phytosanitary certificate to be exported to the EU. Phytosanitary certificates issued by a USDA/Animal Plant Health Inspection Service (APHIS) inspector are required to accompany fruit, vegetable, and nut shipments. APHIS issues phytosanitary certificates in accordance with international regulations established by the International Plant Protection Convention of the Food and Agriculture Organization of the United Nations. This standard-setting body coordinates cooperation between nations to control plant and plant product pests and to prevent their spread.

Council Directive 2000/29/EC contains provisions concerning compulsory plant health checks. This includes documentary, identity, and physical plant health checks to verify compliance with EU import

requirements. More information can be accessed on DG Health and Consumer Protection's website http://ec.europa.eu/food/plant/organisms/imports/inspection_en.htm.

Commission Regulation 1756/2004 provides for plant health checks to be carried out at reduced frequency when justified. The list of products recommended for plant health checks at reduced levels was updated August 30, 2013.

3. Maximum Residue Levels for Fruit

Maximum Residue Levels (MRLs) for pesticides, including import tolerances, have been harmonized throughout the EU since September 2008. As a marketing tool, some retail chains in the EU adopt private standards that exceed EU regulations by requiring their suppliers to adhere to stricter company policies that limit the maximum residues to 30, 50, or 70 percent of the respective EU MRL. Please find the link to the EU MRL database, as well as to the International MRL database developed by USDA for MRLs worldwide.

4. Tariffs

Imports of fresh fruit and vegetables are subject to the Entry Price System (EPS) which has been in place in its current form since the Uruguay Round. It is a complex tariff system that provides a high level of protection to EU producers. In this system fruits and vegetables imported at or above an established entry price are charged an ad valorem duty only. Produce valued below the entry price are charged a tariff equivalent in addition to the ad valorem duty. The tariff equivalent is graduated for products valued between 92 and 100 percent of the entry price. The ad valorem duty and the full tariff equivalent are levied on imports valued at less than 92 percent of the entry price.

Commission Delegated Regulation (EU) No 499/2014 has introduced provisions on the entry price system, which aligns the clearance of goods that are subject to the entry price to the Custom Code. These provisions introduce a flat rate, the standard import value, to clear customs when products are sold on consignment and will apply from October 1, 2014.

Tariff levels for 2014 are published in Commission Implementing Regulation 1001/2013. The tariffs for cherries, peaches and nectarines are on page 97.

The United States tends to sell high quality products at higher prices which typically do not face additional duties.

Trade Shows

Trade shows in Europe offer excellent opportunities for U.S. exporters to meet potential clients or business partners from EU countries and other continents. The most important trade shows related to the fruit and vegetable sectors are:

Fruit Logistica

Berlin, Germany

Frequency: Every year

Web: http://www.fruitlogistica.de

Fruit Logistica is one of the most important trade shows for fresh and dried fruits in Europe. The next show will take place on **February 4-6, 2015.** More than 2,400 companies from across the entire fresh produce value chain will participate, including major global players as well as small and medium-sized suppliers from around the world.

Bio Fach

Nuremberg, Germany

Frequency: Every year

Web: http://www.biofach.de

Bio Fach is one of the most important trade shows for organic products in Europe. The next show will take place on **February 11-14, 2015**.

Other Related Reports from FAS EU Offices

Report number	**Title**	**Date released**
GM 14020	Germany expects rebound of cherry production	07/03/2014
SP 1312	EU 28 Stone Fruit Annual 2013	08/09/2013
SP1227	EU-27 Stone Fruit Annual 2012	08/08/2012
PL1320	Good prospects for 2013 Poland's cherries exports	08/09/2013
IT1364	Greece Stone Fruit Annual 2013	08/14/2013
IT1365	Italy Stone Fruit Annual 2013	08/14/2013
GM13008	German Fruit Tree Census	02/22/2013
E14005	EU-27 FAIRS Export Certificate Report 2013	01/15/2014
E80065	EU-27 FAIRS Narrative Report 2013	12/30/2013